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RUEHPW/AMCONSUL PESHAWAR 5372

C O N F I D E N T I A L SECTION 01 OF 02 ISLAMABAD 003838

SIPDIS

E.O. 12958: DECL: 12/11/2018

TAGS: [ECON](#) [EFIN](#) [EINV](#) [PGOV](#) [PREL](#) [PK](#)

SUBJECT: SHEDDING LIGHT ON PAKISTANI THINKING ON BIT, ENERGY
DIALOGUE, FRIENDS OF PAKISTAN

Classified by: Anne W. Patterson for reasons 1.4 (b),(d)

Summary

11. (C) Summary: On December 12 EconCouns met with Secretary General Salman Farruqui and discussed the Energy Dialogue, the Friends of Pakistan and the International Fund Donor's Conference. Farruqui said that he would be the GOP's organizational lead for both the Friends of Pakistan and the IMF Donor's Conference. On the Energy Dialogue, Farruqui acknowledged that the timing was not ideal, but hoped that it would produce some benchmarks so that future Energy Dialogues could achieve something. He hoped to outline a dam construction proposal for the Friends of Pakistan at the Energy Dialogue in Washington. EconCouns also met separately with both Ashraf Hayat, Secretary of Investment, and Farrukh Qayyum, Secretary for Economic Affairs Division, both of whom expressed strong doubts that the GOP would be able to conclude a Bilateral Investment Treaty before the end of the current Administration in the U.S.

12. (U) EconCouns paid a departing courtesy call on Secretary General Salman Farruqui on December 12 and discussed the upcoming Energy Dialogue and possible outcomes, the Friends of Pakistan, and the International Monetary Fund Donor's Conference.

FRIENDS OF PAKISTAN

13. (C) Turning to the Friends of Pakistan, Farruqui stated that he "had been tapped by the President to lead the organization efforts for the GOP." He said that the GOP is moving forward with their internal planning and hoped that the January expert meetings would be well attended. Farruqui noted that the previous list of proposed projects presented in Abu Dhabi "was disjointed and too large." He noted that the GOP planned to present a list of projects for each of the four expert groups. EconCouns expressed appreciation for his leadership and organizational abilities in moving the Friends group forward with tangible projects. Farruqui noted that he planned to have a mixture of short term and long term projects.

ENERGY DIALOGUE

14. (C) Farruqui said that he had reviewed the revised agenda and noted that "it looked okay." While acknowledging that the timing of the Energy Dialogue so close to the change of Administration in the U.S. was not ideal, Farruqui stated that the GOP really wanted to have the talks "in order to start a discussion and set some benchmarks so that the next Energy Dialogue would be able to achieve something." He acknowledged that the GOP does not have "high

expectations" for this Dialogue especially given the short times allotted for discussion on a broad range of topics. He also stated that he hoped that "the next Dialogue could be held in the upcoming summer."

15. (C) Farruqui noted that the current government wants to have strong ties and more investment from the U.S. in their energy sector. He expressed hope that a new reinvigorated Energy Dialogue could provide a forum for policy advice and investment promotion.

16. (C) Farruqui noted that for the Friends of Pakistan, the GOP planned to introduce a proposal for the Friends to fund the construction of several small dams. Given the enormous energy deficit facing all regions of Pakistan, the need for additional capacity on the national grid is viewed as a short term necessity. Farruqui expressed hope that he could outline this proposal at the Energy Dialogue in Washington. Post is seeking to obtain a list of these proposed small dams and will transmit septel.

DONOR'S CONFERENCE

17. (C) Farruqui also will be leading the GOP efforts on the International Monetary Fund Donor's Conference. He noted that President Zardari had asked him to lead on the coordination of this as well since there is overlap with the Friends group and high level oversight was needed for this conference. He said that the GOP is moving forward with their internal planning and hoped that the January 8 proposed date for a meeting in Beijing could work for the other donors.

BILATERAL INVESTMENT TREATY

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18. (C) On December 13 EconCouns met with Ashraf Hayat, Secretary of Investment, to follow up on recent discussions regarding the conclusion of the Bilateral Investment Treaty (BIT). Despite positive conversations between Deputy Secretary Negroponte and President Zardari as well as the de facto Finance Minister Shaukat Tareen, Hayat emphasized that the Government of Pakistan is simply not prepared to conclude the discussions. Hayat noted that there were internal differences between the newly appointed Minister of Investment Waqar Ahmed Khan and the Minister of State for Investment Saleem Mandiwalla. Due to these on-going internal discussions, Hayat noted that it would be noted that the new government headed by the Pakistan People's Party was very committed to getting the BIT finalized, however Hayat did not think that the GOP could finish under this time crunch. EconCouns also discussed the BIT with Farrukh Qayyum, Secretary for Economic Affairs Division, who expressed similar doubts about the GOP being able to finalize the BIT before the end of the Bush Administration.

PATTERSON